NASHP | NATIONAL ACADEMY FOR STATE HEALTH POLICY

Testimony of the National Academy for State Health Policy on LD 1636 – An Act to Reduce Prescription Drug Costs by Using International Pricing

Senator Sanborn, Representative Tepler and Members of the Committee on Health Coverage, Insurance, and Financial Services:

My name is Jennifer Reck and I am the Project Director for the Center for Drug Pricing at the National Academy for State Health Policy (NASHP). NASHP is a non-partisan forum of state policy makers that develops and implements innovative health care policy solutions at the state level. States are a tremendous source of innovative ideas and solutions and, - as federal action on drug pricing continues to stall, state solutions are more important than ever.

In 2017 NASHP created its Center for Drug Pricing to give states tools to tackle the spiraling costs of prescription drugs and their impact on consumers, the overall cost of health care and state budgets. NASHP's Center for Drug Pricing develops model legislation for states and provides technical assistance and support to legislators and executive branch leaders who wish to move them forward. When these bills pass, NASHP continues to support states as they are implemented. In recent years NASHP has provided policy analysis in Maine related to enacted laws on PBM reform, drug importation and the creation of Maine's Prescription Drug Affordability Board.

The bill before the Committee today is based on one of NASHP's model bills. Because NASHP is not an advocacy organization we do not take a position "for" or "against" a bill but we do stand by to answer questions and provide technical support for sponsors and legislative committees.

Americans pay a lot more for prescription drugs than do citizens of other countries – and the rising cost of prescription drugs is a huge driver in the overall annual increase in health care costs that Americans experience routinely. Other countries spend less for the same drugs because they set rates for prescription drugs. In the United States, rate setting is the norm for many health care services. Public programs like Medicaid or Medicare, and commercial payers routinely set rates or negotiate them with providers. But when it comes to prescription drugs, the United States has a very complicated payment and distribution system that begins with prices set by drug manufacturers.

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States could undertake rate-setting for prescription drug themselves however the process is complicated and requires up-front investment, creating a barrier for states don't have the infrastructure to do this type of analytical work. The good news is that other countries are already doing it, - and the results of that work are readily and publicly available for states to use.

This bill requires Maine to determine the top 250 costliest drugs, using a list from the state employee health insurance plan, as the benchmark. This Superintendent of Insurance is then directed to cross reference the drugs on that list to publicly available information from the four most populous Canadian provinces (Ontario, Quebec, British Columbia, and Alberta). The lowest price becomes the reference rate for payers in the state. The bill applies to state entities other than Medicaid, commercial payers and ERISA plans that chose to participate. (Medicaid was excluded in acknowledgement of the unique design of the Medicaid pharmacy benefit that requires states to cover all drugs in exchange for substantial rebates. Including Medicaid would require up-front agreement by the federal government through either a waiver or state plan amendment.)

Referencing Maine rates to Canadian rates should lead to significant savings to the state and to commercial payers. NASHP stands willing to work with Maine to develop state specific savings estimates, but the chart below, using national data, demonstrates the magnitude of the possible savings:

Drug Name & Dosage **Source: National Average Drug Acquisition Cost (NADAC) data**	**US Price (NADAC)**	**Canadian Reference Rate***	**Price Difference**	**Savings off US Prices**
Humira syringe (40 mg/0.8 ml) (arthritis, psoriasis, Crohn's)	$2,706.38	$541.29	$2,165.09	80%
1 ml of Enbrel (50 mg/ml syringe) (arthritis, psoriasis, Crohn's)	$1,353.94	$272.28	$1,081.66	80%
1 ml of Stelara (90 mg/1 ml syringe) (arthritis, psoriasis, Crohn's)	$21,331.28	$3,267.64	$18,063.64	85%
1 ml of Victoza (2-pak of 18 mg/3 ml pen)* (diabetes)	$103.44	$17.30	$86.14	83%
Truvada tablet (200 mg/300 mg) (PrEP for HIV)	$59.71	$19.78	$39.93	67%
Xeljanz tablet (5 mg) (rheumatoid arthritis)	$76.07	$17.50	$58.57	77%
Eplcusa tablet (400 mg/100 mg) (hepatitis C)	$869.05	$541.32	$327.73	38%
Zytiga tablet (250 mg) (cancer)	$87.63	21.47	$66.16	75%

In Oklahoma where this bill has also been introduced, the legislature's fiscal office estimated that referencing to the Canadian rate could generate upwards of $50 million in annual savings for the state employee plan alone - for just the top 20 costliest drugs.
http://webserver1.lsb.state.ok.us/cf_pdf/2021-22%20SUPPORT%20DOCUMENTS/impact%20statements/fiscal/senate/SB734%20INT%20FI.PDF

In North Dakota, where this bill passed in the state senate, the state's retirement system (which administers employee benefits) estimated that referencing the top 25 drugs in terms of spending to the Canadian price would have resulted in 2020 savings of over $21 million to the state.

In addition to the savings to state programs, the potential value to Maine residents would be the reduction of the cost of prescription drugs and the requirement that any savings, achieved either by health plans or by state payers, be used to benefit consumers. The bill requires that any savings generated by implementing the reference rates, whether generated by state entities or commercial health plans, be used to reduce the health care costs of the people of Maine.

Lowering the cost of life-saving drugs like Humira – which costs $2,706 a syringe in the US versus as little as $541 in Canada – should increase the ability of people who rely on that drug to have better access. Pharmacy manufacturers, who continue to make profits in Canada and in other countries with far lower prices than the US, will still generate necessary revenue to invest in research and development and bring new, innovative, drugs to market. The profits that pharmaceutical manufacturers make in the US by charging more to Americans than they do to the citizens of other countries far exceeds their entire global R&D budget. (This does not even account for the billions of direct government support that pharmacy R&D receives from the National Institute of Health.)

As the Committee continues its work on this bill NASHP is available to support your work as needed. Prior to drafting its model legislation on Canadian reference rates, NASHP engaged with legal experts to design legally sound approaches that can withstand challenges from drug manufacturers. Professor Rachel Sachs, author of the legal analysis available on NASHP's website (https://www.nashp.org/the-national-academy-for-state-health-policys-proposal-for-state-based-international-reference-pricing-for-prescription-drugs/) will testify to the legal defensibility of the bill and please also refer to the written testimony of former Maine State Solicitor Peter Brann. Thank you.

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